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**Date:** 12/29/2014

**GAIN Report Number:** RS1496

## Russian Federation

**Post:** Moscow

### Russian Agricultural Policy and Situation Bi-Weekly Update - 23

**Report Categories:**

Agricultural Situation

Agriculture in the News

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**Report Highlights:**

Red Fish Supplies Deficit Reported . . . Russian Fishermen Catch Down . . . Russian Imports of Milk and Vegetables Down . . . Chinese Fruits and Vegetables Exports to Russia Up . . . Prices for Flour and Other Grain Products Up . . . Russian Ministry of Agriculture Approved Qualifier for Aquaculture. . . Russian Minister of Agriculture Speaks at State Duma . . . State Intervention Fund Prices Increased by 50 Percent . . . Fisheries Cluster to Develop Infrastructure in Primorye. . . Primorye Food Processors to Start Working Based on HACCP . . . Import Substitution Policy to Accustom Consumers to Local Agricultural Products . . . RusAgro to Invest 12 Billion Rubles in Pig Breeding Project . Yakutia Looking to Buy Mongolian Beef and Sell Reindeer Meat . . .Yakutia Agriculture to Receive 65.5 Million Rubles. . . First Lot of Chinese Pork Arrived in Khabarovsk . . . Retailers Experiencing Price Increases for Alcohol, Tea and Coffee. . . Commercial Horticulture Industry Group Formed in Kaliningrad Oblast. . . Dairy Producers Discuss Changes to Technical Requirements. . .

**General Information:**

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

**Red Fish Supplies Deficit Reported:** According to the Russian Federal Customs Service (RFCS) since August 2014, imports of chilled salmon to Russia shrank by more than one-half, from 7,000 MT to 3,000 MT, per month. Imports of frozen salmon from Chile tripled, from 11,700 MT in July 2014 up to 17,800 MT in October 2014. Faroe Island has become a leading supplier of chilled salmon to Russia, but due to a limited salmon harvest this year, it will not be able to completely replace the chilled salmon normally imported from Norway. According to experts, the substitution of chilled salmon with frozen salmon has led to a net deficit of "red" fish in the Russian Federation. Both processing facilities and consumers feel the lack of available product in the market. According to the Executive Director of the Fisheries Association, "salmon has become an elite product, where its price in retail has doubled since August from 600 rubles to 1,200 rubles per kilo. Increasing shipments of processed Norwegian salmon from Belarus do not help to restrain prices for salmon."

<http://www.agronews.ru/news/detail/138175/>

**Russian Fishermen Catch Down:** According to the Center of Fisheries Monitoring, as of the beginning of December 2014, the total harvest of fish and seafood in Russia is estimated at 3,810 million MT, or a three percent decrease compared to the same period in 2013. An insignificant decrease in catch can be attributed to a smaller catch than the previous year's catch for both pollack and salmon. At the same time, harvest of other species, including cod, flatfish, crabs and shrimp increased.

<http://www.agronews.ru/news/detail/138201/>

**Russian Imports of Milk and Vegetables Down:** According to RCFS, for the period January to November 2014, imports of all goods to Russia are estimated at 233.27 billion dollars, or a 6.7 percent drop, compared with the same period in 2013. Imports of milk and dairy products decreased by 64.3 percent, vegetables by 41 percent, fish by 33 percent, fruit by 31 percent, alcohol and soft drinks and beverages by 29 percent, meat and offal products by 19.7 percent, sugar by 17.8 percent, and grains by 2 percent. Imports of sunflower oil increased by 3.5 percent and tobacco by 3.2 percent.

<http://www.agronews.ru/news/detail/138197/>

**Chinese Fruit and Vegetable Exports to Russia Up:** According to a report by the Administration of the Autonomous Province, Vnutrennyaya Mongolia (Northern China), for the period January to November 2014, exports of Chinese fruit and vegetables to Russia reached \$135 million, 19.4 percent higher than the same period in 2013. Based on volume, exports grew by 27.2 percent and reached 318 thousand metric tons. This data is reported based on exports via the customs checkpoint in Manchzhuriya

(Northern China), the largest customs checkpoint on the Russian-Chinese border. Nearly sixty percent of trade turnover between China and Russia crosses at Manchzhuriya where a simplified export procedure is in force. <http://www.fruitnews.ru/home-page/fruits/41629-za-11-mesyatsev-tekushchego-goda-eksport-plodovoovoshchnoj-produktsii-iz-kitaya-v-rf-uvelichilsya-pochti-na-20.html>

**Prices for Flour and Other Grain Products Up:** Russian Minister of Agriculture Nikolay Fyodorov, referred to data from Rosstat noting that since the beginning of the year flour prices have increased nineteen percent, while the prices for grain have increased approximately 70 percent. He noted that it is difficult to put an end to an increase in prices for flour and for other grain products. At the same time, the Chairman of Agriculture Committee of the State Duma, Nikolay Pankov, emphasized the need to use existing legislation to control prices of socially significant food. He explained that, according to the law on trade, the Federal Antimonopoly Service has to intervene if there is a significant price increase within a 90 day period on any product included on the list of socially significant products. <http://www.interfax.ru/russia/412523>

**Russian Ministry of Agriculture Approved Qualifier for Aquaculture:** The qualifier was approved in implementation of the Law on Aquaculture which will allow for improved enterprise accounting and provision and distribution of subsidies. In particular, Order #452 creates the conditions necessary for interaction between Russian organizations and establishments and harmonization with the all-Russian qualifiers. The approved document contains classification of aquaculture objects, types of work in the field of aquaculture, fish-breeding farms, objects of fish-breeding infrastructure and production of fish breeding. This list is intended for identification, description and legal regulation of aquaculture industry, and also will allow order process of communication between producers and consumers of different types of production and services of this field of activity. The qualifier is created to resolve a number of tasks connected with reliability and comparability of information on production of fish breeding, sale and to use of aquaculture production at the regional and industry levels. The document will simplify cataloguing and statistical analysis of production, will help to structure types of production for the purpose of carrying out market researches and simplification of data processing on fish-breeding activity of the enterprises. <http://www.fish.gov.ru/presscentre/news/Pages/news2847.aspx>

**Russian Minister of Agriculture Speaks at State Duma:** "Russian cabbage soup and porridge is our food." Quoting a well-known proverb, Nikolay Fyodorov reported to Parliament that even though there has been an increase in the prices for buckwheat, the expected gross harvest in 2014 will be about 680 thousand MT. Fyodorov declared that with this harvest, which is higher than the five-year-average of 666 thousand tons, combined with 40,000 MT in stocks, "We will have a surplus of buckwheat." He also reported on a number of other projects in 2014 in the agrarian sector. He applauded farmers on the 2014 bumper grain harvest of approximately 111 million tons, with an export potential of up to 30 million tons of grain. In addition, he noted there was a record 2.4 million tons of soy and more than 1 million tons, after processing, of rice and gross harvests for both potatoes and vegetables that exceeded harvests for the same crops last year. Sugar beets experienced a decrease in yields, but this was compensated by high sugar content of a sweet root. <http://mcx.ru/news/news/show/32555.355.htm>

State Intervention Fund Prices Increased by 50 Percent: The target price for wheat Class 3 for European Russia was increased from 6,750 rubles per 1 metric ton (MT) to 10,100 rubles. The price for Class 3 wheat from Ural and Siberia was increased from 6,400 rubles to 10,000. The price for wheat Class 4 was increased from 6,450 rubles per 1 MT and 6,200 rubles per 1 MT to 9,300 rubles and 9,200 rubles in the European Russia and in Ural/Siberia, respectively. <http://agronews.ru/news/detail/138322/>. However, industry analysts consider that this increase may be too late to have an impact since the market price of wheat Class 3 in European Russia already exceeded 11,500 rubles, and in Ural/Siberia it is more than 10,000 rubles. <http://agronews.ru/news/detail/138343/>

Fisheries Cluster to Develop Infrastructure in Primorye: The project to establish a fish-processing cluster in Primorye was presented to the public, receiving approval from the representatives of the relevant bodies. The fisheries cluster will serve the entire Russian Far East and will include facilities for fish processing, cold storage facilities with capacity up to 700 MT, port and transportation infrastructure, and other fish-logistics facilities including a trading and logistics center. The estimated daily output will total between 220 to 550 MT. According to the Governor of Primorye, Vladimir Miklushevsky, "the lack of fish processing is a serious problem in the region: 2 MMT out of 2.8 MMT of fish catch is exported; however, the region could process the whole volume and feed the whole country." They noted further that while the project helps to solve a strategic goal, implementation is not possible with existing infrastructure because of outdated regional refrigerating facilities and logistics schemes, noting that for the country's food security, it is much more efficient to create a completely new infrastructure based on the latest scientific developments. <http://primamedia.ru/news/economics/16.12.2014/408684/povernut-ribnie-potoki-v-primore-s-suschestvuyushey-infrastrukturoy-nevozmozhno---s.html>

Primorye Food Processors to Start Working Based on HACCP: "New Opportunities for Export Development" conference made it possible for food manufacturers of Primorsky Territory to discuss their prospects in terms of HACCP system implementation. A key topic was the possibility of an exporting manufacturer to ensure the quality and safety of food products for sale in international market. The technical regulation "On Food Safety" which came into force on July 1, 2013, requires development, implementation and maintaining of procedures based on HACCP principles. This regulation applies to all food products. Starting February 15, 2015, each enterprise participating in the food chain must comply with the HACCP standard and have a confirmation certificate. For 2015, the regional program for supporting small and medium-sized businesses has 8 million rubles allocated to compensate businesses' related costs. According to Director Primorsky Kray, Department of Economics and Strategic Development Nikolay Dubinin, implementation of the HACCP system ensures a good reputation for Russian food processors. With a safety status of food products, improved consumer confidence and attracted investments, enterprises will be more competitive, allowing them to enter international markets. <http://www.agrodv.ru/content/mnogie-predpriyatiya-primorya-s-fevralya-2015-goda-budut-rabotat-po-novomu>

Import Substitution Policy to Accustom Consumers to Local Agricultural Products: Primorye Territory Administration representatives, politicians and entrepreneurs discussed implementation of the import

substitution policy. The main topic was measures to protect agricultural producers against financial loss. Some entrepreneurs expressed concerns about investing in their businesses, taking into account that after lifting the sanctions affordable imported products can return to Primorye. Deputy Director of the Regional Department of Agriculture and Food, Denis Bochkarev, noted that business modernization should be implemented regardless of the political situation; modern production operations provide local businesses with the opportunity to compete with foreign companies. "The political situation is unpredictable, disregarding agriculture is unacceptable. Despite risks and concerns, sanctions stimulate our businesses to increase production and develop. We should not forget about the culture of consumption. During the embargo, Primorye agricultural producers will get consumers accustomed to their products," Denis Bochkarev said. Sanctions showed that the industry needs government support. Primorskiy Territory operates a state program for the development of agriculture which supports enterprises with subsidies for the modernization, purchase of cattle and seasonal field work.  
<http://www.agrodv.ru/content/denis-bochkarev-za-vremya-sanktsii-primortsy-rasprobuyut-mestnuyu-produktsiyu>

**RusAgro to Invest 12 Billion Rubles in Pig Breeding Project:** "RusAgro's" Board of Directors has approved an investment project for pig breeding development in Primorsky Krai, estimated at 12 billion rubles. The Ministry of Agriculture has approved subsidies for the project. The company plans to start construction of a new pig-breeding facility in March 2015, not far from Ussuriysk. The planned capacity of the complex is estimated at 50,000 MT of pork (carcass weight). "RusAgro" had to revise the project's parameters after China was approved for pork supplies to Russia. Pork prices in the region will focus on China and will not be as high as at present, however the prices will still remain higher than in Central Russia. "RusAgro" also intends to supply pork from Primorye to China and probably to Japan but only those parts of the carcass which are not popular in Russia. "RusAgro" has already exported several thousand tons of vegetable oil to China and has signed its first contract for the supply of grain to Japan. The company is currently negotiating to increase its presence in these markets. "RusAgro" has already purchased about 20 thousand hectares of land and 25 percent of shares of Ussuriisk oil and fat production plant "Primorskaya Soya." [http://zrpress.ru/business/primorje\\_10.12.2014\\_69996\\_rusagro-otsenivaet-svinovodcheskij-proekt-v-primorje-v-12-mlrd-rublej.html](http://zrpress.ru/business/primorje_10.12.2014_69996_rusagro-otsenivaet-svinovodcheskij-proekt-v-primorje-v-12-mlrd-rublej.html)

**Yakutia Looking to Buy Mongolian Beef and Sell Reindeer Meat:** Authorities of the Republic of Sakha (Yakutia) have announced plans to import Mongolian beef. The first purchase of 15,000 tons at US\$2.5/kg is scheduled for next summer. Two major Mongolian slaughterhouses were approved to sell beef to Russia. Mongolian officials have, in turn, expressed an interest in purchasing Yakutian reindeer meat.  
<http://yakutiamedia.ru/news/sakha/10.12.2014/407223/yakutiya-planiruet-zakupit-15-tisyach-tonn-govyadini-v-mongolii.html>

**Yakutia Agriculture to Receive 65.5 Million Rubles:** Yakutia Agriculture will receive 65.5 million rubles of financial support from the federal budget. Russian Ministry of Agriculture has prepared a draft decree on providing subsidies from the state budget to the budgets of sub-federal regions. The subsidies will be used for the development of crop farming, cattle breeding and land reclamation. The total amount of subsidies to the regions is 92 million rubles, according to YakutiaMedia. 2.8 million rubles of the subsidy funds received by Yakutia will be spent for development of crop production, processing,



infrastructure and logistics for crop production in the region. Another 49.6 million will be used for cattle breeding development. Additionally, agricultural producers will get more than 8 million rubles for supporting crop production. More than 5 million rubles will be allocated by the federal program "Development of agricultural land reclamation in Russia for 2014-2020."

<http://yakutiamedia.ru/news/economics/05.12.2014/406082/yakutskim-selskohozyaystvennikam-vozmestyat-rashodi-na-summu-bolee-65-mln-rublej.html>

**First Lot of Chinese Pork Arrived in Khabarovsk:** The first lot of pork from China arrived in Khabarovsk region. The meat will be used for production of sausage, meat products and prepared foods. According to the Khabarovsk Ministry of Agriculture and Food, the first lot is about 100 MT, delivered by trucks from Primorye. The shipments were by the heads of the meat processing plants during a recent visit to China. Currently, two plants of Heilongjiang Province are approved to supply to Russia. Pork production at these enterprises is controlled by Rosselkhoznadzor; all the documents confirming the quality are available. Representative of the regional authorities note that "... supplies of pork from China will help to reduce the deficit and stabilize prices in the meat market. The cost of Chinese pork is slightly lower than that of other suppliers." According to the Regional Ministry of Agriculture and Food, due to the ban, 15 percent of meat imports were restricted. This volume is almost completely replaced by partners from other countries including Uruguay, Paraguay and Brazil. In Khabarovsk region, self-sufficiency in meat is equal to 20 percent. It is planned to increase this figure at least by half in the next few years.

<http://amurmedia.ru/news/economics/15.12.2014/408326/pervaya-partiya-kitayskoy-svinini-prishla-v-khabarovskiy-kray.html>

**Retailers Experiencing Price Increases for Alcohol, Tea and Coffee:** Suppliers of alcoholic drinks, tea and coffee have started to notify Russian retailers of a 15-20% price increase for alcoholic drinks and a 25-30% increase for tea and coffee, according to the official representative of X5 Retail Group. They stated that they have not received such notifications from other segments suppliers. <http://itar-tass.com/ekonomika/1654090>

**Commercial Horticulture Industry Group Formed in Kaliningrad Oblast:** Following implementation of a comprehensive program of agricultural development in 2014, the Regional Ministry of Agriculture reported that a commercial horticulture industry group has been formed in Kaliningrad Oblast (North West of Russia). The program was designed on behalf of Governor Nikolay Tsukanov, and aimed at substitution of imported agricultural products. For 2015, the regional budget will allocate 45 million rubles for the construction of fruit and vegetable storage facilities and approximately 40 million rubles for processing agricultural products, including apples into juice and jam. Subsidies for the planting of new orchards have been approved in the amount of 200 thousand rubles per hectare. Kaliningrad Oblast Agriculture Minister, Vladimir Zarudny, stated that investors are showing interest in the development of horticulture. Thus, the orchard planting will continue next spring.

<http://agronews.ru/news/detail/138334>

**Dairy Producers Discussed Changes to Technical Requirements:** Minister of Agriculture, Nikolay Fedorov, met with representatives of Danone and PepsiCo to discuss the current situation in the dairy

industry, in particular pricing policies, and ways to improve the efficiency of state support programs including the new forms of support planned for implementation under the state program in 2015. The participants noted that improved interactions between the major dairy producers and the Ministry through industry associations are essential. They also noted the importance of cooperation during drafting changes to technical requirements.

<http://www.danone.ru/>

Russia, Uzbekistan to Start Consultations on Free Trade Zone: The official website of the President of Russia cited Russian President Vladimir Putin as saying that Russia and Uzbekistan agreed to begin consultations concerning a possible free trade zone between Uzbekistan and the Eurasian Economic Union. The statement came during President Putin's official visit to Uzbekistan after his meeting with Uzbek President Islam Karimov on December 10, 2014.

<http://eng.kremlin.ru/transcripts/23373>